



Ontario
Securities
Commission

Commission des
valeurs mobilières
de l'Ontario

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**In the Matter of Staff's Recommendation
To Impose Terms and Conditions on the Registration
of George Ranisau
Opportunity to be Heard by the Director under
Section 31 of the Securities Act (Ontario)**

Decision

1. For the reasons outlined below, my decision is to accept the recommendation of staff (**Staff**) of the Ontario Securities Commission (**OSC**) to impose restricted client terms and conditions on George Ranisau (**Ranisau** or the **Registrant**), a dealing representative in the category of mutual fund dealer, sponsored by Quadrus Investment Services Ltd. (**Quadrus**), as follows:

As of the effective date of these terms and conditions, the Registrant may not act as a dealing representative in respect of any new account held by, or on behalf of, any person who is a member of the Romanian Christian Fellowship Inc. (**Restricted Clients**), or of a spouse, parent, brother, sister, grandparent or child of Restricted Clients.

(the **Restricted Client Terms and Conditions**)

Overview

2. On July 13, 2016, Quadrus submitted a current employment change submission to update Item 10 - *Current employment, other business activities, officer positions held and directorships* of Form 33-109F4 - *Registration of Individuals and Review of Permitted Individuals* (**Form 33-109F4**) for Ranisau. Ranisau disclosed that he had been serving as president of the Romanian Christian Fellowship (**RCF**), a church and charitable organization, since February 2013 (the **Change Submission**).
3. Ranisau and Quadrus failed to timely file the notice to update his registration record.
4. Restricted Client Terms and Conditions are imposed on registrants for a number of reasons, including when the registrant has an outside business activity that puts him/her in a position of power or potential influence over clients or potential clients.
5. The OSC oversees the registration process, including the applicability of terms and conditions, if any, of individual dealing representatives of a mutual fund dealer.

Law and Reasons

6. Section 28 of the *Securities Act*, RSO 1990, c.S.5, as amended (the **Act**) provides the director, in his or her discretion, with the power to impose terms and conditions on the registration of any person or company when it appears that the person or company has failed to comply with Ontario securities law or the registration is otherwise objectionable.
7. Subsection 2.2(1) of National Instrument 33-109 - *Registration Information (NI 33-109)* required the Registrant to submit a completed Form 33-109F4, which includes information relating to business activities outside the sponsoring firm, and subsection 4.1(1) of NI 33-109 requires the Registrant to notify the OSC of this information.
8. Staff's basis for recommending the Restricted Client Terms and Conditions is that, in a situation where a registrant is in a position of power or potential influence, what should be an arm's length transaction with a client can be influenced by the client's perception of the dealing representative's role in a charitable or faith-based outside activity.
9. In OSC Staff Notice 33-738 - *2012 OSC Annual Summary Report for Dealers, Advisers and Investment Fund Managers (OSC Notice 33-738)*, issued November 22, 2012, the OSC provided the following guidance to registrants:

We remind registered firms of their obligation to ensure the OBAs [outside business activities] of the individuals they sponsor do not impair or impede the performance of their regulatory obligations. See CSA Staff Notice 31-326 *Outside Business Activities* for issues to consider when reviewing the circumstances of an individual's OBAs.

We also wish to remind registrants that all OBAs must be disclosed in Form 33-109F4 (or Form 33-109F5 for changes in OBAs after registration). Required disclosure includes

- having a paid or unpaid role with a charitable or religious organization[...]

10. While Staff guidance is not the law, it informs and guides registrants on how to comply with regulatory obligations. In *Sawh*, the OSC panel stated that the conduct of the registrants would be assessed against the statutory requirements, the requirements and the guidance existing at the time of the conduct (*Re Sanjiv Sawh and Vlad Trkulja* (2012) 35 OSCB 7431 (*Sawh*) at para. 157)
11. Staff submits that the Restricted Client Terms and Conditions are appropriate for three reasons. First, Ranisau is in a position of trust and potential influence over members of the RCF as the organization's president and an individual who has been granted cheque signing authority. Second, Staff has imposed similar "restricted client" terms and conditions on the basis of outside business activities, including eleven examples cited for lay religious officials. Finally, the Restricted Client Terms and Conditions are necessary for Ranisau's sponsoring firm to adequately supervise his outside business activities.

12. Counsel for Ranisau takes the position that the Restricted Client Terms and Conditions would have a significant burden on his business, due to requirements for pre-approval of trades, ensuring that all new business that has a letter attached confirming that applicants are not RCF members and there will be more onerous and ongoing audits of Ranisau's client files. This, Ranisau submits, will have a chill effect on his business. Further, Ranisau submits that his position is strictly administrative, with minimal to no interaction with individuals that are vulnerable.
13. Ranisau proposes to provide a voluntary undertaking that includes: his withdrawal from the position of president at the RCF, effective February 2017; he will refrain from accepting other immediate formal position with the RCF and engage the OSC in dialogue to future volunteer positions; and between now and February 28, 2017, he will not solicit or accept any new RCF members as clients.
14. In reviewing the evidence, I found that the Change Submission, filed on July 13, 2016, under Item 5 "Conflicts of Interest" states the following:

All clients are provided with a outside business activity disclosure form which stated there is no connection between the investment representative's business activity with the Romanian Christian Fellowship Inc. and Quadrus Investment Services Ltd.
15. On July 18, 2016, Staff advised Ranisau of the concerns with the nature of his other business activities with RCF and provided recommended terms and conditions. After that date, on July 25, 2016, Ranisau accepted a client application form for TT, a member of the RCF, for which no disclosure was made about the outside business activity. Evidence was also presented of the opening documents, in September 2015 and September 2016, for two additional investors who are members of RCF and there is no indication of outside business disclosure having been made in those instances, despite the policy provided in the Change Submission.
16. Based on the fact that Ranisau failed to comply with Quadrus' policy, I am not persuaded that Ranisau's proposed voluntary undertaking would be effective in addressing the potential undue influence concerns that form the basis for the Restricted Client Terms and Conditions.
17. I am mindful of the OSC's mandate, in section 1.1 of the Act: (a) to provide protection to investors from unfair, improper or fraudulent practices; and (b) to foster fair and efficient capital markets and confidence in capital markets. I have also considered the need for "effective and responsive securities regulation [which] requires timely, open and efficient administration and enforcement of th[e] Act" (section 2.1 of the Act).
18. Having considered the submissions, I am satisfied that the Registrant is in a position of power or potential influence over clients or potential clients who are members of the RCF and that his circumstances warrant the imposition of the Restricted Client Terms and Conditions. Ranisau was clearly placed in a position of trust as the President of the RCF, a role which required and/or permitted him to head board meetings, control certain finances, and liaise between the church and church leadership.

19. Furthermore, I do not find that Ranisau is required to withdraw from his role as President of the RCF. The objective of the Restricted Client Terms and Conditions is not to prohibit dealing activity, but rather to limit the scope of clients that the Registrant can deal with. Also, the purpose of the Restricted Client Terms and Conditions is not to prohibit registrants from volunteering with charitable or religious organizations, but to protect clients from potential undue influence of a registrant who is in a position of power or trust, whether spiritual or otherwise.
20. As for the proposal by Ranisau that a voluntary undertaking not to act would suffice in this situation, I agree with Staff's submission that there ought to be timely, open and efficient administration and enforcement of securities laws. I am persuaded that the Registrant is being treated fairly, just as the eleven other registrants, who were also lay religious officials and had similar terms and conditions imposed upon their registration.
21. Finally, the argument advanced by Ranisau that the Restricted Client Terms and Conditions would create burden on his business due to supervisory compliance procedures that would be imposed upon him, is not persuasive. The Restricted Client Terms and Conditions will permit Quadrus to more adequately supervise his outside business activities.
22. My conclusion is to impose the Restricted Client Terms and Conditions as recommended by Staff.

"Debra Foubert" J.D.
Director
Compliance and Registrant Regulation Branch
Ontario Securities Commission

November 30, 2016